

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 DOEE-00 SSO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 IO-13 OIC-02 /168 W
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P 271454Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8940
INFO AMEMBASSY BRASILIA

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USMTN

ACTION STR FOR ROSENBAUM

STR PASS CODEL

E.O. 11652 N/A
TAGS: ETRD, MTN, BR
SUBJECT: U.S. BRAZIL SUB-GROUP ON TRADE: SUMMARY OF
BRAZILIAN PARTICIPATION IN MTN

REF: GENEVA 1386, 2776, 4257, 5805, 5932, 6236

1. TO ASSIST IN PREPARATION OF BRIEFING MATERIALS FOR
SUBJECT MEETING, WE OFFER FOLLOWING SUMMARY OF BRAZILIAN
PARTICIPATION IN MTN AS REQUESTED IN STATE 96063
(NOTAL).

2. GENERAL:
A. BRAZIL'S CAREFULLY CULTIVATED IMAGE OF ACROSS-
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THE-BOARD LDC LEADER IS IN STARK CONTRAST TO ITS
ACTUAL (QUITE LIMITED) SUBSTANTIVE PARTICIPA-
TION IN THE WORK OF 15 MTN GROUPS AND SUB-GROUPS.
IN ONLY A FEW (FRAMEWORK, SAFEGUARDS, STANDARDS,
AND SUBSIDY/COUNTERVAIL) HAVE BRAZILIAN REPS GONE
BEYOND SILENCE OR LDC MAXIMALIST REHETORIC
("ADDITIONALITY OF BENEFITS") AND SHOWN REAL

NEGOTIATING INTEREST. AS SUGGESTED IN GENEVA 5932, THEY SEEM TO BE APPROACHING MTN AS VEHICLE TO INCREASE BRAZIL'S FLEXIBILITY OF ACTION WITHOUT SIGNIFICANT ASSUMPTION OF NEW OBLIGATIONS.

B. BRAZIL'S POSTURE IN THE TRADING SYSTEM ON MTN AND OTHER MATTERS IMPLIES AN OBJECTIVE OF PERMANENT "ADOLESCENCE". IT IS OUR SECOND LEADING LDC TRADING PARTNER AND HAS A 165 BILLION DOLLAR ECONOMY--BUT RESISTS ACCOUNTABLE BEHAVIOR IN THE TRADING SYSTEM. (EXAMPLES: CONTINUOUS RE-NEGOTIATIONS OF ITS GATT SCHEDULE FOR 10 YEARS; NUMEROUS INFANT INDUSTRY MEASURES WITHOUT GATT SANCTION; MAXIMUM EXPLOITATION OF ITS BOP SITUATION (NOW IMPROVING) FOR ADDITIONAL PROTECTION TO KEY INDUSTRIES; NON-RESPONSIVE APPROACH TO KEY BILATERAL ISSUES). FAILURE TO ESTABLISH A MORE MATURE BRAZILIAN ATTITUDE AND PERFORMANCE (BUILT PRIMARILY ON MTN COMMITMENTS) WOULD BE A SIGNIFICANT SHORTFALL IN MTN RESULTS.

C. ACCELERATION OF NEGOTIATIONS AND JANUARY AFFIRMATION OF JULY MTN COMPLETION TARGET DID PROVOKE INTERNAL BRAZILIAN REVIEW LEADING TO PRESIDENT GEISEL'S EARLY FEBRUARY DECISION TO "FULLY ENGAGE" BRAZIL IN MTN. SINCE FEBRUARY, U.S. MTN DEL HAS SOUGHT TO INCREASE IMPACT OF LIMITED OFFICIAL USE

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THAT DECISION BY CONTINUAL PRESSURE ON BRAZILIAN DEL TO TAKE SUBSTANTIVE NEGOTIATING POSITIONS ON FULL RANGE OF MTN SUBJECTS--OR FACE SEVERELY DIMINISHED MTN RESULTS IN AREAS OF STATED OR INFERRED BRAZILIAN INTEREST. BRAZILIAN BUREAUCRACY HAS BEEN SLOW TO RESPOND BUT NOW SEEMS TO BE GATHERING SOME MOMENTUM. THE MAJOR REMAINING QUESTION IS WHETHER THEY CAN ADJUST ATTITUDES AND DO SUBSTANTIAL HOMEWORK FAST ENOUGH TO AVOID BEING "MARGINALIZED" IN FINAL STAGES OF MTN (A FEAR VOICED BY THEIR OWN DELEGATION IN GENEVA).

3. SPECIFIC:

A. TARIFFS/TROPICAL PRODUCTS: IN TARIFFS, ACTIVE ONLY IN PRESSING FOR S&D PRINCIPLES IN A TARIFF PLAN--INCLUDING PREFERENTIAL BINDINGS--BUT WARY OF REAL NEGOTIATIONS ("IMPOSSIBLE" REQUESTS, NO OFFERS). MADE LIMITED (TOUGH) TP REQUESTS, SHOWED NO INTEREST IN NEGOTIATING CONTRIBUTIONS.

B. NON-TARIFF MEASURES:

SUBSIDY/COUNTERVAIL - HIGHEST PRIORITY IN NTM
AREA. HAS PROPOSED S/D IN FORM OF POSITIVE
LIST OF SUBSIDIES LDCE COULD USE WITHOUT CVD
PENALTY. ALSO SEEKS BILATERAL ARRANGEMENT WITH
U.S. (IF MTN CODE FAILS) AND WANTS ELIMINATION
OF EXISTING CVDS.

STANDARDS - VERY ACTIVE. PROPOSALS FOR S/D IN
FORM OF TECHNICAL ASSISTANCE AND DEROGATIONS
FORM CODE, ALSO FOR OPEN CERTIFICATION SYSTEMS.

GOVERNMENT PROCUREMENT - DEFENSIVE, WAIT-AND-SEE
APPROACH. FIRST ATTENDANCE BY BRASILIA EXPERTS
AT GP SUBGROUP ONLY IN MARCH 1978. STRONG
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ACTION STR FOR ROSENBAUM

STR PASS CODEL

INTEREST IN MAINTAINING DOMESTIC PREFERENCES
VIA NUMEROUS PUBLIC PROCUREMENT ENTITIES.

QRS/LICENSING - STRONG INTEREST IN PHASEOUT OF
DC QRS AFFECTING BRAZILIAN EXPORTS, NO INTEREST
AT ALL IN LIBERALIZING BRAZILIAN QRS/LICENSING
(BOP RATIONALE). ONCE SUGGESTED REFORM OF GATT
QR RULES BUT NO FOLLOW-THROUGH. DEFENSIVE RE
LICENSING TEXTS -- BRAZILIAN SYSTEM AT STAKE.

CUSTOMS (VALUATION) - DEFENSIVE/DISINTERESTED;
BRAZILIAN SYSTEM SIMILAR TO EC DRAFT CODE
APPROACH BUT ALSO HAS GIMMICKS (MINIMUM PRICES,
REFERENCE PRICES) AND ONEROUS APPEAL SYSTEM.

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SPECIFIC NTMS - NO FLEXIBILITY (SEE GENEVA 5932,
PARA 8).

C. SAFEGUARDS: ACTIVE, RELATIVELY REASONABLE.
BRAZIL HAS HAD A PROPOSAL ON TABLE SINCE 1973. HAS
LATELY INDICATED (A) NO GREAT EXPECTATION OF S/D,
(B) INTEREST IN LDC DEROGATIONS AS BASIS FOR CODE
ADHERENCE, AND (C) WILLINGNESS TO NEGOTIATE SELECTI-
VITY IF TIGHTLY CONSTRAINED.

D. AGRICULTURE (INCL. SUB-GROUPS): HAS KEPT EXTREME-
LY LOW PROFILE. IMPORTANT PRODUCT INTERESTS IN MANY
SECTORS BUT SEEKING ONLY VERY FEW (MFN) CONCESSIONS.
HAS JUST BEGUN SCRUTINY OF MEAT SUB-GROUP WORK.

E. FRAMEWORK: "FOUNDING FATHER." HAS (WITH SOME
U.S. HELP) BROUGHT GROUP DISCUSSIONS ALONG BUT NOT
IN CONTROL OF OTHER LDCS. MADE MAXIMALIST PROPOSALS
WITH APPARENT INTENTION OF SHOWING FLEXIBILITY IN
DETAILED NEGOTIATIONS; MOST PROPOSALS (E.G., ENABLING
CLAUSE; ARTICLE XVIII REVISION AND BOP REFORM;
RECIPROCITY AND NEGOTIATING RULES) WOULD ENLARGE
LDC FREEDOM OF ACTION UNDER TRADING RULES.

4. DRAFTED BY HARTZELL. CULBERT

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